

RECOMMENDED INFORMATION REQUIREMENTS - INTERNAL SERVICE FUND RATE REQUESTS

Below are examples of expected/anticipated answers to internal service rate information requests from one example of an internal service fund. This example is of an agency Centralized Services Division, (in this case, the Department of Labor and Industry Commissioner's Office and Legal and Centralized Services Division (CSD)).

CENTRALIZED SERVICES DIVISION

Program Description

For each fund, briefly explain the services provided; the statutory authority for the program to provide the services provided; the statutory authority for the program to provide the service; the customers served by each service (mandated/non-mandated); and any other points of interest about the fund for the period covered by the data (previous, current, and budget request biennium), such as: 1) any program organizational changes, 2) major service changes, or 3) major customer base changes.

Example:

The Commissioner's Office and the Legal and Centralized Services Division provide program direction, legal, administrative, and support services to the department. Legal and Centralized Services provide central support functions for the department through seven bureaus: Accounting; Information Services; Budget; Personnel and Training; Hearings; and Legal Services. The three-member Board of Labor Appeals is administratively attached; this board hears appeals concerning the administration of Montana unemployment insurance laws and employer/employee relationships. (Please insert any statutory references here).

Customers are all divisions and employees of the Department of Labor and Industry. Use is mandated by Agency policies/rules/processes. There are no alternate sources for the CSD as a whole. For specific services, there would exist the possibility of utilizing legal services from other agencies, however this has been determined to be inefficient and not in the best interest of the Department.

In fiscal 2002, the division assumed responsibility for two new divisions as a result of a reorganization of the Department of Commerce. This reorganization added workload and 4.0 FTE to the CSD, and also added to the department's personal services funding from which the CSD rate is calculated.

Revenues, Expenses, and Fund Equity

Revenue Description

Describe all sources of revenues deposited into the fund. For each fee or charge separately billed to customers, include a brief description of: 1) the services provided in exchange for customer payments; 2) the customer base of the service funded by the fee, if different than the customer base for the fund; 3) the historical and projected trends associated with volume of services, explaining any projected changes in service volumes; 4) base year funding, by fund type, for customer payments made to the program; 5) the SABHRS accounts used by the customers to record the expenditures for payment of the fee or charge (6xxxx); and 6) the SABHRS account used by the program to record revenues received from customer payments (5xxxx).

Example:

- 1) The CSD provides all services as presented in the program description;
- 2) No input necessary;
- 3) Volume of services is largely driven by the number of FTE within the department, with some workload increases corresponding to the overall budget of the department. Over the past two biennia, FTE within the department has increased by 20%, largely due to the addition of two divisions from the Department of Commerce. Overall Department budget has increased 15% due to the same reason. These increases have resulted in a corresponding increase of 6 FTE within the CSD to accommodate the increased workload;
- 4) Self-explanatory;
- 5) All charges are recorded in 62889;
- 6) All revenues are recorded in 512033, 520260, 520602, and 56033.

Expense Description

Describe all major classes of expenses used to support the services provided by the program. In doing so, identify and briefly explain: 1) the major cost drivers of each separate rate; 2) factors that contribute to uncertainty in forecasting expenses for major cost drivers; 3) assumptions used to anticipate future costs of major cost drivers; 4) non-typical and one-time expenses that appear in the data for historical and future years shown on the Excel spreadsheet; 5) variations in expense patterns; and 6) the number of FTE funded by the Legislature for the base year.

Example:

- 1) The major cost drivers within the CSD are largely fixed personal services costs, with minor amounts of administrative charges;
- 2) Overtime expenses and the possibility of adding modified FTE to the division can contribute to uncertainty in forecasting expenses;
- 3) Future expenses can be relatively easily determined by projecting the amount of FTE used to maintain current workload;
- 4) Self-explanatory;
- 5) Salaries are constant throughout most of the fiscal year, with a noted exception being a significantly increased amount of comp time and overtime earned and paid during fiscal year end. Most supplies are purchased on an as-needed basis, although fiscal year end sees an increase in photocopies, and routine office supplies purchased due to the increased workload;
- 6) Self-explanatory.

Working Capital Discussion

Justify the amount of working capital needed to maintain on-going operations. Explain agency management objectives for maintaining costs commensurate with fees charged. Report how revenue and expense cycles factor into the determination of working capital. In the case of internal service funds, explain how working capital is considered in the determination of the rates. When calculating working capital, do not include non-cash items in this calculation.

Example:

The objective of program management is to recover costs only to fund necessary, ongoing operations of the division. The program has no requirement to reserve an excess fund balance. The fund normally carries a 60-day working capital. The rates are not influenced by the working

capital necessary to maintain current operations, primarily due to the consistency of the revenue and expense cycles. Most of the fund equity balance, over 75% can be attributed to working capital.

Rate Explanation

Programs funded with internal service funds will describe very specifically the type of rate being requested (such as percentage of personal services, a fixed amount of working capital, a fixed rate, or a maximum amount of costs that can be allocated to customers). This may be one single, short statement. To the extent necessary but not repetitive, also explain any instances where the rate of fees requested is different than the rate of fees and charges actually billed to the customers, why the requested rate is the most logical structure, how the rates were determined, the allocation methodology for distributing indirect costs to separate rates, and any requested changes in the rate structure. All changes from the rates charged at FYE of the base year will be approved via decision packages.

Example:

CSD provides many varied services, on personnel, division, and agency levels. Many of these services are non-measurable or vary greatly from month to month and year to year, such as research and computer input. Research into the cost drivers for the program reveal that services provided to divisions most accurately track relative to FTE within the divisions. For that reason, CSD charges are based on a percentage of the personal services costs for a particular division during the previous fiscal year. Projected costs necessary to maintain ongoing operations during the budget biennium are divided by overall personal services costs of the department during the base year to obtain the requested rate.